



JUL 29 2008

**TO:** Kerry Weems  
Acting Administrator  
Centers for Medicare & Medicaid Services

**FROM:** Daniel R. Levinson *Daniel R. Levinson*  
Inspector General

**SUBJECT:** Review of Expenses and Revenues Presented in Congressional Testimony by  
Ochsner Health System (A-01-08-00507)

Attached is an advanced copy of our final report on expenses and revenues presented in congressional testimony by Ochsner Health System (the health system). We will issue this report to the health system within 5 business days. The U.S. House of Representatives Committee on Energy and Commerce requested that we perform this review.

On August 1, 2007, the U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, held a hearing on post-Katrina health care in the New Orleans region. In this hearing, officials of five hospital groups in the New Orleans region testified that their hospitals experienced significant post-Katrina operating losses, largely because of the increased costs of providing hospital care since the August 2005 hurricane. The testifying hospitals requested additional Federal financial assistance, including additional grant funds from the Department of Health and Human Services, to use for the recovery of the health care delivery system in the New Orleans area.

The Committee on Energy and Commerce requested that we analyze the hospitals' financial information to review the more significant operating loss items cited by the testifying hospitals. The health system was one of the hospitals whose financial information was presented in the congressional hearing.

Our objective was to determine whether the amounts of selected expenses and revenues that the health system presented in the testimony were accurate and supported by its financial records.

The health system's revenues and expenses presented in the testimony were generally accurate and supported by its financial records, except for the following:

- The health system's presentation of financial data for Ochsner Baptist Medical Center (Ochsner Baptist), one of its facilities, was not completely accurate because the two

testimonial periods were not comparable. The testimony for the post-Katrina period included Ochsner Baptist expenses of \$12.4 million and revenues of \$3.8 million, but the testimony for the pre-Katrina period did not include any of Ochsner Baptist's financial data.

- The health system's revenue presented in the testimony for the post-Katrina period (January through May 2007) did not include \$20 million in one-time revenue that it received during this period. The Louisiana Hospital Association removed this amount when compiling the testimony data and referenced the amount in an explanatory note.

This is an informational report, and we have no recommendations. In its written comments on our draft report, the health system agreed that the financial information and facts presented were generally correct and reasonably reliable.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at [George.Reeb@oig.hhs.gov](mailto:George.Reeb@oig.hhs.gov). Please refer to report number A-01-08-00507.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

JUL 31 2008

Office of Audit Services  
Region I  
John F. Kennedy Federal Building  
Boston, MA 02203  
(617) 565-2684

Report Number: A-01-08-00507

Ms. Jody Ohlmeyer  
System Vice President, Finance  
Ochsner Health System  
880 Commerce Road West  
Reimbursement Department  
New Orleans, Louisiana 70123-3335

Dear Ms. Ohlmeyer:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Expenses and Revenues Presented in Congressional Testimony by Ochsner Health System." We will forward a copy of this report to the HHS action official noted on the following page.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, this report will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact David Lamir, Audit Manager, at (617) 565-2704 or through e-mail at [David.Lamir@oig.hhs.gov](mailto:David.Lamir@oig.hhs.gov). Please refer to report number A-01-08-00507 in all correspondence.

Sincerely,

A handwritten signature in cursive script, reading "Michael J. Armstrong", is positioned above the typed name.

Michael J. Armstrong  
Regional Inspector General  
for Audit Services

Enclosure

**HHS Action Official:**

Ms. Nanette Foster Reilly, Consortium Administrator  
Consortium for Financial Management & Fee for Service Operations  
Centers for Medicare & Medicaid Services  
601 East 12<sup>th</sup> Street, Room 235  
Kansas City, Missouri 64106

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF EXPENSES AND  
REVENUES PRESENTED IN  
CONGRESSIONAL TESTIMONY  
BY OCHSNER HEALTH SYSTEM**



Daniel R. Levinson  
Inspector General

July 2008  
A-01-08-00507

# ***Office of Inspector General***

<http://oig.hhs.gov>

---

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## ***Office of Audit Services***

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

## ***Office of Evaluation and Inspections***

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

## ***Office of Investigations***

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

## ***Office of Counsel to the Inspector General***

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG's internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.

# *Notices*

---

**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

## **EXECUTIVE SUMMARY**

### **BACKGROUND**

On August 1, 2007, the U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, held a hearing on post-Katrina health care in the New Orleans region. In this hearing, officials of five hospital groups in the New Orleans region testified that their hospitals experienced significant post-Katrina operating losses, largely because of the increased costs of providing hospital care since the August 2005 hurricane. The officials supported their testimony with a summary of financial data compiled by the Louisiana Hospital Association, comparing pre-Katrina (January through May 2005) and post-Katrina (January through May 2007) expenses and revenues for the five hospital groups. The testifying hospitals requested additional Federal financial assistance, including additional grant funds from the Department of Health and Human Services, to use for the recovery of the health care delivery system in the New Orleans area.

In a September 27, 2007, letter, the Committee on Energy and Commerce requested that we analyze the hospitals' financial information to review the more significant operating loss items cited by the testifying hospitals.

Ochsner Health System (the health system) is a nonprofit corporation that serves as the parent organization for the Ochsner Clinic Foundation and Ochsner Community Hospitals, also nonprofit corporations. Ochsner Community Hospitals was formed to acquire and operate three hospitals purchased from Tenet Healthcare Corporation on October 1, 2006, which are now known as Ochsner Medical Center Westbank, Ochsner Medical Center Kenner, and Ochsner Baptist Medical Center (Ochsner Baptist). The health system's portion of the financial data presented in the hearing is in Appendix A.

### **OBJECTIVE**

Our objective was to determine whether the amounts of selected expenses and revenues that the health system presented in the testimony were accurate and supported by its financial records.

### **RESULTS OF REVIEW**

The health system's revenues and expenses presented in the testimony were generally accurate and supported by its financial records, except for the following:

- The health system's presentation of financial data for Ochsner Baptist was not completely accurate because the two testimonial periods were not comparable. The testimony for the post-Katrina period included Ochsner Baptist expenses of \$12.4 million and revenues of \$3.8 million, but the testimony for the pre-Katrina period did not include any of Ochsner Baptist's financial data.
- The health system's revenue presented in the testimony for the post-Katrina period (January through May 2007) did not include \$20 million in one-time revenue that it



received during this period. The Louisiana Hospital Association removed this amount when compiling the testimony data and referenced the amount in an explanatory note.

## **RECOMMENDATIONS**

This is an informational report, and we have no recommendations.

## **OCHSNER HEALTH SYSTEM COMMENTS**

In its written comments on our draft report, the health system agreed that the financial information and facts presented were generally correct and reasonably reliable. However, the health system requested that we note in the report that the Louisiana Hospital Association removed the one-time revenues from the combined financial statements for all five New Orleans hospital organizations but described the revenues with an explanatory note in the congressional testimony.

In response to our presentation of the health system's financial data both with and without Ochsner Baptist's post-Katrina data, the health system stated: "Ochsner believes the presentation of post-Katrina financial information for Ochsner Baptist Medical Center is the most accurate and reasonable reflection of the unique facts and circumstances surrounding the hospital. The information also describes Ochsner's actual experience and efforts to restore a devastated community hospital that is a critical component of the local healthcare infrastructure."

The health system's comments are included in their entirety as Appendix E.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

We modified our final report to note that the health system included the revenues in its submission to the Louisiana Hospital Association and that the Louisiana Hospital Association removed these revenues from the five hospitals' financial statements and referenced them in an explanatory note.

We have included Ochsner Baptist's post-Katrina data in the presentation of the health system's financial data in Appendix B. However, we maintain that including only post-Katrina data for Ochsner Baptist does not present a fair picture of the increases in the health system's costs. Thus, to compare costs between the two testimonial periods more fairly, we removed from the 2007 testimonial amounts the \$12.4 million in salaries, contract labor, and operating expenses incurred by Ochsner Baptist in the first 5 months of 2007 and presented those data in Appendix C.

## TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTION .....</b>	<b>1</b>
<b>BACKGROUND .....</b>	<b>1</b>
Congressional Request.....	1
Ochsner Health System.....	1
<b>OBJECTIVE, SCOPE, AND METHODOLOGY .....</b>	<b>2</b>
Objective .....	2
Scope.....	2
Methodology .....	2
<b>RESULTS OF REVIEW .....</b>	<b>4</b>
<b>EXPENSES.....</b>	<b>4</b>
Salary and Contract Labor Expenses .....	4
Utilities Expense .....	6
Insurance Expense .....	6
Depreciation and Amortization Expense .....	6
Bad Debt Expense.....	6
Other Operating Expenses .....	7
<b>REVENUES.....</b>	<b>7</b>
Revenues Included in Testimony.....	7
Revenues Received During Testimonial Periods Not Included in Testimony .....	7
Analysis of Gross Revenue by Payer Type .....	8
<b>RECOMMENDATIONS.....</b>	<b>8</b>
<b>OCHSNER HEALTH SYSTEM COMMENTS .....</b>	<b>8</b>
<b>OFFICE OF INSPECTOR GENERAL RESPONSE .....</b>	<b>9</b>
<b>OTHER MATTERS .....</b>	<b>9</b>
 <b>APPENDIXES</b>	
A – REVENUES AND EXPENSES AS STATED IN TESTIMONY	
B – RESTATED REVENUES AND EXPENSES	

C – RESTATED REVENUES AND EXPENSES EXCLUDING OCHSNER BAPTIST  
MEDICAL CENTER 2007 DATA

D – PATIENT VOLUME BETWEEN 2005 AND 2007

E – OCHSNER HEALTH SYSTEM COMMENTS

## **INTRODUCTION**

### **BACKGROUND**

#### **Congressional Request**

On August 1, 2007, the U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, held a hearing on post-Katrina health care in the New Orleans region. In this hearing, officials of five hospital groups in the New Orleans region testified that their hospitals experienced significant post-Katrina operating losses, largely because of the increased costs of providing hospital care since the August 2005 hurricane. The officials supported their testimony with a summary of financial data compiled by the Louisiana Hospital Association, comparing pre-Katrina (January through May 2005) and post-Katrina (January through May 2007) expenses and revenues for the five hospital groups. The testifying hospitals requested additional Federal financial assistance, including additional grant funds from the Department of Health and Human Services, to use for recovery of the health care delivery system in the New Orleans area.

In a September 27, 2007, letter, the Committee on Energy and Commerce requested that we analyze the hospitals' financial information to review the more significant operating loss items cited by the testifying hospitals.

#### **Ochsner Health System**

Ochsner Health System (the health system) is a nonprofit corporation that serves as the parent organization for the Ochsner Clinic Foundation and Ochsner Community Hospitals, which are also nonprofit corporations.

The Ochsner Clinic Foundation, headquartered in New Orleans, Louisiana, owns and operates a 501-bed acute-care hospital known as Ochsner Foundation Hospital (the foundation hospital). The Ochsner Clinic Foundation also owns and operates clinics. The largest clinic, known as the South Shore Clinic, is located on the Ochsner Clinic Foundation's main campus in Jefferson Parish, Louisiana, approximately 6 miles from downtown New Orleans. The health system included the financial results for all of the South Shore Clinic's satellite locations and specialty centers in the testimony data.<sup>1</sup>

Ochsner Community Hospitals was formed in September 2006 to acquire and operate three hospitals purchased from Tenet Healthcare Corporation, which are now known as Ochsner Medical Center Westbank, Ochsner Medical Center Kenner, and Ochsner Baptist Medical Center (Ochsner Baptist). Ochsner Medical Center Westbank is a 199-bed acute-care general medical and surgical hospital on the west bank of the Mississippi River, approximately 11 miles from downtown New Orleans. Ochsner Medical Center Kenner is a 105-bed acute-care hospital on the east bank of the Mississippi River, approximately 12 miles from downtown New Orleans. Ochsner Baptist, a 317-bed acute-care hospital in New Orleans, was severely damaged by Hurricane Katrina and closed immediately after the storm. In September 2006, Ochsner Baptist

---

<sup>1</sup>The South Shore Clinic had 11 satellite locations and specialty centers in May 2005 and 14 in May 2007.

reopened in a neighboring facility and, as of December 31, 2007, is operating as a 25-bed acute-care hospital.

The health system's financial data presented in the hearing were for the following four hospitals and one clinic: the foundation hospital, Ochsner Baptist, Ochsner Medical Center Kenner, Ochsner Medical Center West Bank, and South Shore Clinic. Tenet Healthcare Corporation provided the 2005 testimonial data for the three hospitals that it sold to the health system in 2006. As noted in the testimony, the health system did not include Ochsner Baptist's financial data for January through May 2005.

The financial data for the health system are consolidated in Appendix A.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

Our objective was to determine whether the amounts of selected expenses and revenues that the health system presented in the testimony were accurate and supported by the health system's financial records.

### **Scope**

Our review included the 5-month periods of January 1 to May 31 in 2005 and 2007.

We limited our review of the internal control structure to those controls applicable to the selected expenses and revenues examined because our objective did not require an understanding of all internal controls.

We included in our review the salary and contract labor expenses for the four hospitals and one clinic whose financial data were presented by the health system. We limited our review of nonsalary expenses to the health system's largest component, which comprises the foundation hospital and the South Shore Clinic.

We performed our fieldwork at the health system's corporate headquarters in New Orleans, Louisiana, from October 2007 through February 2008.

### **Methodology**

To accomplish our objective, we:

- reviewed the health system's audited financial statements and records;
- obtained an understanding of the health system's procedures for accumulating and reporting financial data;

- reconciled the reported expenses and revenues in the health system's testimony (Appendix A) to its financial records;
- judgmentally chose expenses in selected areas (salary and contract labor, utilities, insurance, depreciation and amortization, bad debt, and other operating expenses) for testing to determine supportability;
- identified the wage-related costs for health care professionals (e.g., physicians and nurses), administrative personnel (e.g., management and clerical staff), and other health system personnel (e.g., maintenance and service staff);
- compared the types of wage-related costs presented in the health system's testimony for 2005 with those presented for 2007 to determine whether the increase in these costs was principally due to a substantial growth in wage-related costs for health care professionals;
- restated the health system's expenses and revenues to reflect variances between the testimonial amounts and our reclassifications and adjustments (Appendix B);
- removed the 2007 expenses and revenues for Ochsner Baptist because the health system did not include expenses and revenues for this facility in the 2005 testimonial amounts (Appendix C);
- obtained full-time equivalent (FTE) employee counts and wage-related hours to determine the average hourly wage rate for the testimonial periods;
- reconciled wage data from selected cost centers to detailed support, such as payroll registers and accounts payable invoices;
- interviewed health system staff regarding the nature of services that employees and contracted labor provided to the health system;
- reviewed the health system's monthly patient statistics reports to determine the changes in patient volume and utilization of services between the testimonial periods (Appendix D); and
- reviewed support for additional revenues received by the health system after August 2005.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **RESULTS OF REVIEW**

The health system's expenses and revenues presented in the testimony were generally accurate and supported by its financial records, except for the following:

- The health system's presentation of financial data for Ochsner Baptist was not completely accurate because the two testimonial periods were not comparable. The testimony for the post-Katrina period included Ochsner Baptist expenses of \$12.4 million and revenues of \$3.8 million, but the testimony for the pre-Katrina period did not include any of Ochsner Baptist's financial data.
- The health system's revenue presented in the testimony for the post-Katrina period (January through May 2007) did not include \$20 million in one-time revenue that it received during this period. The Louisiana Hospital Association removed this amount when compiling the testimony data and referenced the amount in an explanatory note.

## **EXPENSES**

The health system removed Ochsner Baptist's data from the pre-Katrina expenses in the testimony. According to the health system, including Ochsner Baptist's financial data for the first 5 months of 2005, when the facility was fully operational, would have distorted the comparison of the health system's financial data for the two testimonial periods because the hospital was only minimally operational after the hurricane. Although we agree that including Ochsner Baptist's data would distort the comparison of the health system's pre- and post-Katrina expenses, including only post-Katrina data unfairly increased the health system's costs. To compare costs between the two testimonial periods more fairly, we removed from the 2007 testimonial amounts the \$12.4 million in salaries, contract labor, and operating expenses incurred by Ochsner Baptist in the first 5 months of 2007.

### **Salary and Contract Labor Expenses**

As stated in the testimony, salary expense was the largest expense item and contract labor expense had the largest percentage increase of all expense items for the first 5 months of 2005 and the first 5 months of 2007. The health system official testified that higher labor costs were a major contributing factor to the financial losses incurred by hospitals in the New Orleans area.

#### *Amount of Increase*

The salary and contract labor expenses (totaling \$153.7 million for the first 5 months of 2005 and \$173.2 million for the first 5 months of 2007) that the health system presented in its testimony (Appendix A) were generally accurate and supported by its financial records. We found minor differences in the health system's salary expense between the amounts shown in the testimony and the amounts supported in the health system's financial records. We also reclassified \$1.6 million for the first 5 months of 2005 from other operating expenses to contract labor expenses because the health system had not accurately classified these costs. Whereas the health system's reported amounts represent an increase of \$19.5 million in salary and contract

labor costs between the first 5 months of 2005 and the first 5 months of 2007, our restated costs show an increase of approximately \$14.9 million (Appendix C).

### *Causes of Increase in Costs*

Consistent with the health system's testimony, increases in the health system's labor costs and the immediate need to fill nursing vacancies were the primary causes of the \$14.9 million net increase in salary and contract labor costs. Of the \$14.9 million net increase, \$12.1 million was attributed to health care professionals. The factors that led to this overall increase in wage-related costs were (1) additional use of contract health care professionals, particularly nurses; (2) decreased use of FTE health care professionals and non-health-care personnel; and (3) increased average hourly wage rates for all salaried employees and contract labor services. Specifically, between the first 5 months of 2005 and the first 5 months of 2007:

- The health system increased its use of contract health care professionals, particularly nurses. The health system contracted with 72 additional nurses, which resulted in an increase of approximately 62,000 hours between the first 5 months of 2005 and the first 5 months of 2007. As a result, we estimated that approximately \$4.7 million of the \$14.9 million net increase was due to this increase in purchased contract labor services.
- The health system decreased its use of FTE salaried health care professionals by 371 and non-health-care personnel by 352. As a result, we estimated a \$9.9 million decrease due to the decrease in the number of salaried health care professionals and a \$6.1 million decrease due to a decrease in the number of salaried non-health-care personnel.
- The health system's average hourly wage rates increased from \$25.27 to \$30.38 for all salaried employees and from \$44.47 to \$55.23 for contract labor services. As a result, the health system's overall average hourly wage rate increased from \$25.46 to \$31.00, or approximately 22 percent, between the testimonial periods. Specifically, the average hourly wage rates increased by approximately 19 percent for health care professionals and 25 percent for non-health-care personnel (e.g., executives, management, and service personnel). We estimated that approximately \$26.2 million in increases was due to increases in the health system's average hourly wage rates. Further, we estimated that \$17.3 million of the \$26.2 million was due to increases in the average hourly wage rates for health care professionals.

We found that the health system's patient volume and utilization of services decreased between the first 5 months of 2005 and the first 5 months of 2007 (Appendix D) even though the number of contracted nurses employed by the health system increased during this time, as did the average hourly wage rates for all employees. According to health system officials, the health system hired additional contract nurses following Katrina because it lost salaried nursing staff who had either moved out of the area or were unable to return to work. Health system officials also stated that they had difficulties attracting nurses to New Orleans because of the increased cost of living, especially housing. They further stated that the health system had experienced an increase in its patients' overall severity of illness that created more complex demands for patient care and greater use of resources. Thus this increase in acuity of illness contributed to the overall increase



in the average hourly wage rates for health care professionals and the need to hire additional contract nurses.

### **Utilities Expense**

As stated in the testimony, the foundation hospital's utility expense, which included electricity, water, and gas, increased from \$1.86 million to \$2.34 million (27 percent) between the first 5 months of 2005 and the first 5 months of 2007. We judgmentally selected for review invoices for the electric and water companies from each period. The sampled invoices accounted for 67 percent of the 2005 and 72 percent of the 2007 total utility expenses for each period. Utility expenses increased because of a rise in the fuel adjustment rate on the electricity bill and an increase in water consumption. The invoices we reviewed were properly recorded in the health system's financial records.

### **Insurance Expense**

As stated in the testimony, the foundation hospital's insurance expenses increased from \$2.79 million to \$4.39 million (57 percent) between the first 5 months of 2005 and the first 5 months of 2007. We judgmentally selected for review the two largest policies from the first 5 months of 2005 and the three largest policies from the first 5 months of 2007. The sampled invoices accounted for 18 percent of the 2005 and 39 percent of the 2007 total insurance expenses for each period. The foundation hospital's insurance expenses increased because of a rise in premiums. The invoices we reviewed were properly recorded in the health system's financial records.

### **Depreciation and Amortization Expense**

As stated in the testimony, the foundation hospital's depreciation and amortization expense increased from \$9.95 million to \$10.42 million (4.7 percent) between the first 5 months of 2005 and the first 5 months of 2007. The hospital depreciated property, plant, and equipment, which included laboratories, surgical equipment, and construction. We judgmentally selected for review depreciation and amortization expenses from each period. The sampled expenses accounted for 35 percent of the 2005 and 39 percent of the 2007 total depreciation and amortization expenses for each period. The expenses we reviewed were properly recorded in the health system's financial records.

### **Bad Debt Expense**

As stated in the testimony, the foundation hospital's and the South Shore clinic's bad debt expense combined increased from \$10.35 million to \$19.35 million (87 percent) between the first 5 months of 2005 and the first 5 months of 2007. The foundation hospital and the South Shore clinic bad debt expense combined represents 72 percent and 77 percent of the health system's total bad debt expense in 2005 and 2007, respectively. We reviewed the collection efforts for the foundation hospital and the South Shore clinic. According to health system officials, the foundation hospital and the South Shore clinic bad debt expense increased because of post-Katrina adjustments reflecting uncertainty about collection efforts. We verified that the

foundation hospital included in net patient revenue \$7.6 million in Disproportionate Share program payments during the first 5 months of 2007. We verified the testimony amounts against the foundation hospital's and the South Shore clinic's financial records. The bad debts we reviewed were properly recorded in the foundation hospital's and the South Shore clinic's financial records.

### **Other Operating Expenses**

As stated in the testimony, the foundation hospital's other operating expenses, which included rental equipment, maintenance contracts, and professional fees for organ transplants, increased from \$22.57 million to \$25.58 million (13 percent) between the first 5 months of 2005 and the first 5 months of 2007. We judgmentally selected for review all other operating expenses that increased more than \$50,000 between the testimonial periods. We specifically reviewed the accounts that had the biggest increases, which accounted for 19 percent of the total operating expenses during January through May 2007. The main cause of the increase was a rise in maintenance contracts and rental equipment. We reclassified contract labor amounts from other operating expenses to contract labor expenses. The expenses we reviewed were properly recorded in the foundation hospital's financial records.

### **REVENUES**

The health system removed Ochsner Baptist's data from the pre-Katrina revenue in the testimony. To compare revenues between the two testimonial periods more fairly, we removed from the health system's 2007 testimonial amounts the \$3.8 million in revenue that Ochsner Baptist reported for the first 5 months of 2007.

### **Revenues Included in Testimony**

The health system's financial data presented in the testimony showed that the health system's total operating revenue increased from \$345.26 million to \$370.08 million (7 percent) between the first 5 months of 2005 and the first 5 months of 2007. Approximately 97 percent of the net operating income was from net patient revenue; i.e., payments from government and private medical insurance and self-pay patients. Net patient revenue included in the testimony totaled \$336.32 million for the first 5 months of 2005 and \$359.14 million for the first 5 months of 2007, for an increase of \$22.82 million (7 percent). According to health system officials, this increase can mainly be attributed to increases in cases involving severe illness, in the complexity of care, and in resource utilization.

### **Revenues Received During Testimonial Periods Not Included in Testimony**

The health system received \$20,021,164 in revenues in the first 5 months of 2007 that were not included in its 2007 testimony.<sup>2</sup> Specifically, the health system received \$8,742,939 in a Medicare Wage Index Stabilization grant during the first 5 months of 2007. This grant from the

---

<sup>2</sup>The health system included the \$20,021,164 in one-time revenue in its original submission to the Louisiana Hospital Association, the organization that compiled the testimony data. The Louisiana Hospital Association removed this amount when compiling the testimony data and referenced it in an explanatory note.

Department of Health and Human Services was intended to compensate the hospital for its Katrina-related increased labor costs. Other items not included in the testimony were additional proceeds from insurance (\$9,709,365) and the Federal Emergency Management Agency (\$1,568,860).

### **Analysis of Gross Revenue by Payer Type**

Gross patient revenue reflects total financial charges for patient care services and not actual payments received or any deductions that may be recorded under contractual agreements with payers or any deductions that may be written off by the hospital as a bad debt. A health system analysis of its gross revenue by payer type indicates that, consistent with its testimony, services provided to uninsured/self-pay patients increased between 2005 and 2007.

#### **Ochsner Health System's Analysis of Its Gross Revenue by Payer Type**

<b>Payer</b>	<b>Percent of Total Revenue 01/01/05– 05/31/05<sup>3</sup></b>	<b>Percent of Total Revenue 01/01/07–05/31/07</b>	<b>Percentage Change</b>
Medicare fee-for-service <sup>4</sup>	21.0	22.1	1.1
Medicare/Medicaid dual eligible <sup>4</sup>	1.9	2.3	0.4
Medicare Managed Care	26.5	24.0	-2.5
Commercial fee-for-service	1.0	0.9	-0.1
Commercial Managed Care	30.7	29.7	-1.0
Medicaid	11.9	12.6	0.7
Other <sup>5</sup>	3.6	3.4	-0.2
Uninsured/self-pay	3.4	5.0	1.5

### **RECOMMENDATIONS**

This is an informational report, and we have no recommendations.

### **OCHSNER HEALTH SYSTEM COMMENTS**

In its written comments on our draft report, the health system agreed that the financial information and facts presented were generally correct and reasonably reliable. However, the health system requested that we note in the report that the Louisiana Hospital Association removed the one-time revenues from the combined financial statements for all five New Orleans

<sup>3</sup>Ochsner Baptist amounts are excluded from the January through May 2005 information.

<sup>4</sup>The South Shore Clinic and the Ochsner Community Hospitals were unable to segregate the Medicare/Medicaid dual eligible gross charges; therefore, these charges are included in the Medicare fee-for-service payer category.

<sup>5</sup>The health system was unable to segregate the commercial fee-for-service gross charges from other gross charges; therefore, the other payer category includes Tricare and other fee-for-service noncontractual agreements.

hospital organizations but described the revenues with an explanatory note in the congressional testimony.

In response to our presentation of the health system's financial data both with and without Ochsner Baptist's post-Katrina data, the health system stated: "Ochsner believes the presentation of post-Katrina financial information for Ochsner Baptist Medical Center is the most accurate and reasonable reflection of the unique facts and circumstances surrounding the hospital. The information also describes Ochsner's actual experience and efforts to restore a devastated community hospital that is a critical component of the local healthcare Infrastructure."

The health system's comments are included in their entirety as Appendix E.

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

In response to the health system's comments on the one-time revenues, we have modified our final report to note that the health system included the revenues in its submission to the Louisiana Hospital Association and that the association removed these revenues from the five hospitals' financial statements and referenced them in an explanatory note.

Although we have included Ochsner Baptist's post-Katrina data in the presentation of the health system's financial data in Appendix B, we maintain that including only post-Katrina data for Ochsner Baptist does not present a fair picture of the increases in the health system's costs. Thus, to compare costs between the two testimonial periods more fairly, we removed from the 2007 testimonial amounts the \$12.4 million in salaries, contract labor, and operating expenses incurred by Ochsner Baptist's in the first 5 months of 2007 and presented those data in Appendix C.

## **OTHER MATTERS**

Among the testifying hospitals' proposed solutions to address spiraling wage-related costs was for the Centers for Medicare & Medicaid Services (CMS) to adjust the Medicare hospital wage index values for these areas to reflect current wage data rather than retrospective wage data. CMS uses the hospital wage index to adjust prospectively set Medicare payment rates for regional variation in labor costs.

We found that certain costs that were supported by the health system's financial records and included in its 2005 testimonial amounts were incorrectly reported as wage data by the foundation hospital in the Ochsner Clinic Foundation's fiscal year (FY) 2005 Medicare cost report.<sup>6</sup> Although the foundation hospital incurred these costs, they did not meet Medicare requirements for inclusion in the cost report as wage data costs. For example, the foundation hospital included costs for physician services as wage data in the FY 2005 cost report without supporting those services as hospital-related. To claim such services as hospital-related services under Medicare Part A, hospitals must distinguish them from medical and surgical services

---

<sup>6</sup>In FY 2005, the foundation hospital and South Shore Clinic were known as the Ochsner Clinic Foundation for cost-reporting purposes.

provided by a physician to an individual patient, which are reimbursed under Medicare Part B. Because CMS uses wage data collected 4 years earlier to calculate wage indexes for a given year, overstated costs in the Ochsner Clinic Foundation's FY 2005 cost report will result in Medicare overpayments to all hospitals that use this wage index in FY 2009.

Because this matter was not part of the objective of this review, we will issue a separate report to the health system on the matter and its potential impact on Medicare payments to the Ochsner Clinic Foundation.

# **APPENDIXES**

## REVENUES AND EXPENSES AS STATED IN TESTIMONY

	January– May 2005	January– May 2007	Percentage Change
<b>REVENUES</b>			
Total Net Patient Revenue	\$336,320,693	\$359,143,000	6.79%
Other Operating Revenue	<u>8,944,246</u>	<u>10,940,000</u>	22.31%
<b>Total Operating Revenue</b>	<b>\$345,264,939</b>	<b>\$370,083,000</b>	<b>7.19%</b>
<b>EXPENSES</b>			
Salaries			
Nursing	31,658,711	44,106,000	39.32%
Physician	46,924,271	54,902,000	17.00%
Other	<u>72,305,170</u>	<u>67,319,000</u>	-6.90%
	150,888,152	166,327,000	10.23%
Contract Labor			
Nursing	2,365,385	6,887,000	191.16%
Physician	0	0	0%
Other	<u>467,756</u>	<u>48,000</u>	-89.74%
	2,833,141	6,935,000	144.78%
Employee Benefits	26,428,621	25,313,000	-4.22%
Supplies	66,575,812	71,398,000	7.24%
Utilities	4,100,564	5,310,000	29.49%
Insurance	7,935,579	10,963,000	38.15%
Interest Expense	3,571,590	4,660,000	30.47%
Depreciation and Amortization	16,430,798	19,076,000	16.10%
Bad Debts	14,361,286	25,024,000	74.25%
Other Operating Expenses	<u>53,807,445</u>	<u>56,105,000</u>	4.27%
<b>Total Operating Expenses</b>	<b>\$346,932,988</b>	<b>\$391,111,000</b>	<b>12.73%</b>
<b>NET GAIN/LOSS FROM OPERATIONS</b>	<b>\$(1,668,049)</b>	<b>\$(21,028,000)</b>	<b>(1,160.63%)</b>

## RESTATED REVENUES AND EXPENSES

<i>Shaded items are items we reviewed.</i>	<b>January– May 2005</b>	<b>January– May 2007</b>	<b>Percentage Change</b>
<b>REVENUES</b>			
Total Net Patient Revenue	\$336,320,693	\$359,143,000	6.79%
Other Operating Revenue	10,895,246 <sup>1</sup>	30,961,164 <sup>1</sup>	184.17%
<b>Total Operating Revenue</b>	<b>\$347,215,939</b>	<b>\$390,104,164</b>	<b>12.35%</b>
<b>EXPENSES</b>			
Salaries			
Nursing	40,325,870	42,227,321	4.72%
Physician	44,771,294	49,488,402	10.54%
Other	63,272,134	68,759,174	8.67%
	148,369,298 <sup>2</sup>	160,474,897 <sup>2</sup>	8.16%
Contract Labor			
Nursing	2,365,481	6,241,317	163.85%
Physician	3,849,950	5,147,881	33.71%
Other	589,433	871,447	47.84%
	6,804,864 <sup>3</sup>	12,260,645 <sup>3</sup>	80.17%
Employee Benefits	26,428,621	25,313,000	-4.22%
Supplies	66,575,812	71,398,000	7.24%
Utilities	4,100,564	5,310,000	29.49%
Insurance	7,935,579	10,963,000	38.15%
Interest Expense	3,571,590	4,660,000	30.47%
Depreciation and Amortization	16,430,798	19,076,000	16.10%
Bad Debts	14,361,286	25,024,000	74.25%
Other Operating Expenses	52,178,684 <sup>4</sup>	56,105,000	7.52%
<b>Total Operating Expenses</b>	<b>\$346,757,096</b>	<b>\$390,584,542</b>	<b>12.64%</b>
<b>NET GAIN/LOSS FROM OPERATIONS</b>	<b>\$458,843</b>	<b>\$(480,378)</b>	<b>(204.69%)</b>

<sup>1</sup>Other operating revenue was increased by \$1,951,000 for 2005 from the settlement of a prior-year cost report and by \$20,021,164 for 2007 for Wage Index Stabilization grant funds, insurance proceeds, and Federal Emergency Management Agency proceeds.

<sup>2</sup>Total salaries were decreased by \$2,518,854 for 2005 (decreased by \$2,433,156 because of reclassification to contract labor expenses and by \$85,698 because of unreconciled differences) and \$5,852,103 for 2007 (decreased by \$5,314,105 because of reclassification to contract labor expenses and by \$537,998 because of unreconciled differences).

<sup>3</sup>Total contract labor expenses were increased by \$3,971,723 for 2005 (increased by \$2,433,156 because of reclassification from salary costs, increased by \$1,628,761 because of reclassification from other operating expense, and reduced by \$90,194 because of unreconciled differences) and by \$5,325,645 for 2007 (increased by \$5,314,105 because of reclassification from salary costs, increased by \$11,835 because of unreported accruals, and reduced by \$295 because of unreconciled differences).

<sup>4</sup>Other operating expenses were decreased by \$1,628,761 for 2005 because of our reclassification of contract labor expenses.



**RESTATED REVENUES AND EXPENSES  
EXCLUDING OCHSNER BAPTIST MEDICAL CENTER 2007 DATA<sup>1</sup>**

<i>Shaded items are items we reviewed.</i>	<b>January– May 2005</b>	<b>January– May 2007</b>	<b>Percentage Change</b>
<b>REVENUES</b>			
Total Net Patient Revenue	\$336,320,693	\$355,817,000	5.80%
Other Operating Revenue	10,895,246	29,037,164	166.51%
<b>Total Operating Revenue</b>	<b>\$347,215,939</b>	<b>\$384,854,164<sup>2</sup></b>	<b>10.84%</b>
<b>EXPENSES</b>			
<b>Salaries</b>			
Nursing	40,325,870	41,263,157	2.32%
Physician	44,771,294	49,488,345	10.54%
Other	63,272,134	67,129,999	6.10%
	148,369,298	157,881,501	6.41%
<b>Contract Labor</b>			
Nursing	2,365,481	6,241,317	163.85%
Physician	3,849,950	5,146,938	33.69%
Other	589,433	823,742	39.75%
	6,804,864	12,211,997	79.46%
Employee Benefits	26,428,621	24,825,000	-6.07%
Supplies	66,575,812	69,711,000	4.71%
Utilities	4,100,564	4,730,000	15.35%
Insurance	7,935,579	10,065,000	26.83%
Interest Expense	3,571,590	4,660,000	30.47%
Depreciation and Amortization	16,430,798	16,363,000	-0.41%
Bad Debts	14,361,286	24,864,000	73.13%
Other Operating Expenses	52,178,684	52,934,000	1.45%
<b>Total Operating Expenses</b>	<b>\$346,757,096</b>	<b>\$378,245,498</b>	<b>9.08%</b>
<b>NET GAIN/LOSS FROM OPERATIONS</b>	<b>\$458,843</b>	<b>\$6,608,666</b>	<b>1,340.29%</b>

<sup>1</sup>This table reflects the numbers in Appendix B except that we removed all amounts for Ochsner Baptist Medical Center (Ochsner Baptist) for 2007.

<sup>2</sup>We did not include Ochsner Baptist's portion of the Wage Index Stabilization grant funds (\$1,439,307) in this category.

## PATIENT VOLUME BETWEEN 2005 AND 2007

Type of Service	January–May 2005	January–May 2007 <sup>1</sup>	Change
Inpatient Services			
Patient Days	89,268	81,019	-9%
Average Length of Stay (days)	5.49	5.33	-3%
Case-Mix Index <sup>2</sup>	1.29	1.34	4%
Outpatient Visits	408,776	391,923	-4%

---

<sup>1</sup>Excludes Ochsner Baptist.

<sup>2</sup>The case-mix index measures the severity of illness, the complexity of care, and resource utilization.



June 5, 2008

David Lamir  
U.S. Department of Health and Human Services  
Office of Inspector General  
Region 1  
Room 2425  
John F. Kennedy Federal Building  
Boston, MA 02203

Mr. Lamir:

I have enclosed Ochsner Health System's response to the U.S. Department of Health and Human Services, Office of Inspector General (OIG) draft report number A-01-08-00507 entitled, "Review of Expenses and Revenues Presented in Congressional Testimony by Ochsner Health System." The Ochsner staff has reviewed the report and believes the financial information and facts are generally correct and reasonably reliable. Ochsner's response also includes requests for the provision of additional financial references from the congressional testimony within the section of the executive summary and general report addressing post-Katrina one-time revenue. In addition, Ochsner has asked to include its perspectives within the discussion of Ochsner Baptist Medical Center post-Katrina expenses.

Please accept my thanks for the opportunity to respond to the OIG draft report.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott J. Pesecai", written over a horizontal line.

Scott J. Pesecai  
Executive Vice President &  
Chief Financial Officer

Ochsner Health System

**OCHSNER HEALTH SYSTEM**  
**Comments on**  
**“Review of Expenses and Revenues Presented**  
**In Congressional Testimony by Ochsner Health System”**  
**Report Number A-01-08-00507**  
**Department of Health and Human Services**  
**Office of Inspector General**

Ochsner Health System appreciates the opportunity to offer comments and perspectives on the report by the Department of Health and Human Services, Office of Inspector General entitled, “Review of Expenses and Revenues Presented in Congressional Testimony by Ochsner Health System.” The Ochsner staff has reviewed the report and believes the financial information and facts are generally correct and reasonably reliable. We will also address important considerations surrounding Ochsner Baptist Medical Center pre-Katrina and post-Katrina expenses, and adjustments for post-Katrina one-time revenues.

**Consideration of Ochsner Baptist Medical Center Pre-Katrina and Post-Katrina Expenses**

Ochsner Baptist Medical Center was an active 317 bed acute care hospital operated by Tenet Healthcare Corporation prior to Hurricane Katrina that sustained massive damage and was closed for one year after the storm. The size and scope of the hospital has remained substantially reduced, reopening in September 2006 as a small 10 bed surgical hospital that Ochsner acquired in October 2006 and gradually expanded to include 25 inpatient acute care beds.

Ochsner believes the presentation of post-Katrina financial information for Ochsner Baptist Medical Center is the most accurate and reasonable reflection of the unique facts and circumstances surrounding the hospital, which was noted in testimony containing the combined hospital financial statements developed by the Louisiana Hospital Association. Pre-Katrina financial information was not included in the report because it would have depicted a dramatic decline of approximately \$78.5 million in operating revenues and \$65.3 million in operating expenses that disappeared with the destruction of the hospital. This information and financial trend could not be used as a reasonable measure for comparison between the pre and post-Katrina environments (see Table 1). On the other hand, the post-Katrina information included in the financial statements reflects Ochsner’s actual experience and efforts to restore a devastated community hospital that is a critical component of the local healthcare infrastructure. It is also part of Ochsner’s broader support for the recovery of the New Orleans region, and commitment to revitalize three important community hospitals that were struggling in the wake of the storm by purchasing them and making them part of the Ochsner system.

**Post-Katrina One-Time Revenues**

Ochsner Health System received approximately \$20 million in revenue of a one-time nature during the post-Katrina period including: a Medicare Wage Index Stabilization grant of \$8,785,000; insurance proceeds of \$9,726,000 associated with damages sustained during the 2005-2006 post-storm period; and, payments from the Federal Emergency Management Agency of \$1,569,000. In an effort to present a view of normal and ongoing hospital operations, the Louisiana Hospital Association removed these types of one-time payments from the combined financial statements for all five New Orleans hospital organizations, and described the grants and other one-time revenue adjustments with an explanatory note in its testimony data.

The information in Table 2 illustrates the relationship or reconciliation of both the post-Katrina one-time revenue adjustments, and post-Katrina revenues and expenses for Ochsner Baptist Medical Center to the three comparative financial scenarios presented by the Office of Inspector General in Appendices A, B, and C.

**Other Matters**

Ochsner concurs with the OIG's finding of an error in Ochsner Foundation Hospital's reporting of wage index data for FY 2005 and notes that the fiscal intermediary incorporated the necessary correcting adjustments into its final wage index audit results. Therefore, Ochsner Foundation Hospital's error will not result in Medicare overpayments in FY 2009 as suggested in the OIG report. However, had the Ochsner Foundation Hospital error not been corrected, the FY 2009 wage index for the local area would have been overstated by an immaterial amount. Ochsner estimates the overstatement would have been approximately 0.34% of payments.

**Providing Additional Financial References From The Congressional Testimony Within The Report**

Ochsner Health System requests the provision of additional financial references from the congressional testimony within all sections of the executive summary and general report addressing post-Katrina one-time revenue. More specifically, we ask the OIG to state that Louisiana Hospital Association removed these types of one-time payments from the combined financial statements for all five New Orleans hospital organizations, and described the grants and other one-time revenue adjustments with an explanatory note in its testimony data. These additional references will provide a more complete description of congressional testimony.

**Providing Additional Comments and Perspectives Regarding Ochsner Baptist Medical Center Post-Katrina Expenses Within The Report**

In the discussion of Ochsner Baptist Medical Center pre-Katrina and post-Katrina expenses in a paragraph on page four of the general report, the document includes the views of both Ochsner and OIG on pre-Katrina expenses, but does not extend this balanced approach to post-Katrina expenses where only the OIG perspective is offered. Ochsner asks for the opportunity to have its view of post-Katrina expenses included in this section of the report and by including the following statement:

Ochsner believes the presentation of post-Katrina financial information for Ochsner Baptist Medical Center is the most accurate and reasonable reflection of the unique facts and circumstances surrounding the hospital. The information also describes Ochsner's actual experience and efforts to restore a devastated community hospital that is a critical component of the local healthcare infrastructure. Further, it is part of Ochsner's broader support for the recovery of the New Orleans region, and commitment to revitalize three important community hospitals that were struggling in the wake of the storm by purchasing them and making them part of the Ochsner system.

TABLE 1

**Ochsner Baptist Medical Center**  
**Comparison of Revenues and Expenses Between**  
**Pre-Katrina and Post-Katrina Periods**

Income and Expenses			
	Period Prior to Katrina Date Begin <u>1/1/05</u> Date End <u>5/31/05</u>	Calendar Year to Date Jan. 2007 through Date End <u>5/31/07</u>	Variance Between YTD May 2007 and YTD May 2005
<b>REVENUES</b>			
Net Inpatient Revenue *	\$ 54,621,656	\$ 1,041,000	
Net Outpatient Revenue *	25,626,872	2,285,000	
<b>Total Net Patient Revenue</b>	80,248,528	3,326,000	
Other Operating Revenue	2,059,727	485,000	(78,497,255)
<b>Total Operating Revenue</b>	82,308,255	3,811,000	
<b>EXPENSES</b>			
Salaries			
Nursing	7,943,060	1,309,000	
Physician	-	1,000	
Other	16,806,535	1,299,000	
Contract Labor			
Nursing	483,716	-	
Physician	-	-	
Other	667,666	48,000	
Employee Benefits	5,578,749	488,000	
Supplies	19,062,036	1,687,000	
Utilities	1,460,251	580,000	
Insurance (P&C, Business Interruption, etc.)	1,976,747	898,000	
Interest Expense	-	-	
Depreciation and Amortization	4,669,812	2,713,000	
Bad Debts	2,054,315	160,000	
Other Operating Expenses	17,008,386	3,171,000	
<b>Total Operating Expenses</b>	77,711,273	12,354,000	(65,357,273)
<b>Net Gain/Loss from Operations</b>	\$ 4,596,982	\$ (8,543,000)	(13,139,982)

\* If net patient revenue by inpatient and outpatient categories is not available, enter total net patient revenue only.

**Detail of One Time Revenues/Expenses Received or Accrued in the Period (incl. insurance proceeds, FEMA reimbursements, etc.) that have been excluded from total Operating Revenue**

Medicare Wage Index Grant	-	\$1,439,000	1,439,000
---------------------------	---	-------------	-----------

**Normalized Net Gain/Loss from Operations**

\$4,596,982      \$(7,104,000)      \$(11,700,982)

TABLE 2

**Ochsner Health System**  
**Relationship of Post-Katrina One-Time Revenue Adjustments and**  
**Ochsner Baptist Medical Center Post-Katrina Revenues and Expenses**  
**To Comparative Financial Scenarios Presented in Appendices A, B, and C**

Description	January - May	
	2005	2007
<b>Net Gain/Loss From Operations (Appendix A)</b>	<b>\$ (1,668,049)</b>	<b>\$ (21,028,000)</b>
Add: One Time Adjustments		
Prior Year Cost Report Settlements	1,951,000	-
Wage Index Stabilization Grant Funds	-	8,785,000
Insurance Proceeds	-	9,726,000
FEMA	-	1,569,000
Total One Time Adjustments	1,951,000	20,080,000
Add: Other Reconciling Items	175,892	467,622
<b>Net Gain/Loss From Operations (Appendix B)</b>	<b>458,843</b>	<b>(480,378)</b>
Add: Ochsner Baptist Medical Center Loss	-	7,104,000
Less: Other Reconciling Items	-	(14,956)
<b>Net Gain/Loss From Operations (Appendix C )</b>	<b>\$ 458,843</b>	<b>\$ 6,608,666</b>